



STATE BOARD OF EQUALIZATION

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Executive Secretary

January 27, 1978

No. 78/9

TO COUNTY ASSESSORS:

SUMMARY OF PROPOSED LEGISLATION NUMBER 2

In compliance with your Legislative Committee's proposal that you be informed of the various property tax bills and amendments being proposed in the State Legislature, we submit to you those measures introduced or amended recently that have reached our office.

We are including only those bills or constitutional amendments that we feel are of importance to you as an assessor. Bills concerning the functions of the tax collector, auditor, and other county or special district officials will usually be excluded.

Copies of bills and amendments introduced may be obtained by placing orders with the Legislative Bill Room (State Capitol, Room 1149, Sacramento, 95814).

ASSEMBLY BILLSNo. 24 - Amended January 17, 1978

An act to amend Section 23344 of the Government Code, relating to county formation, ~~and~~ making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

Existing law provides a procedure, initiated by petition of registered electors, whereby hearings may be conducted and specified determinations made by a county formation review commission before elections on the question of creation of a new county.

Chapter 1247 of the Statutes of 1975 appropriated \$100,000, without regard to fiscal years, to be used by the State Controller to make loans, of up to \$100,000 to each county formation review commission, for the commissions' expenses.

This bill would appropriate an additional \$300,000 for such purposes.
The bill would take effect immediately as an urgency statute.

No. 74 - Amended January 18, 1978

An act to amend Sections 41814 and 84772 of, and to add Sections 41815 and 84773 to, the Education Code, to amend Section 16113 of, and to repeal Section 29100.5 of, the Government Code and to amend Sections 219, ~~2229~~, 17063, 17687, 18161, 23151, ~~23184~~, ~~23186~~, and ~~23501~~ 23151, 23400, 23401, 24378, and 24833 of, and to add ~~Section 2261.2 to~~ Sections 17064.8, 17154.5, 18151, 18152, 18153, 18162 and 23401.1 to, and to repeal Sections 6354, 6359.4, 6359.5, 6383, 6395, 18152, and 18162.5 of, the Revenue and Taxation Code, relating to taxation, and making an appropriation therefor.

ASSEMBLY BILLS (Contd.)No. 74 - (Contd.)

Under existing law, 50% of the assessed value of business inventories is exempt from property taxation. Procedures have been established for computing revenue losses caused by such exemption, and the state reimburses entities of local government in full for the amount of such losses.

This bill would increase such exemption ~~in 5 equal increments, until to~~ 100% of the assessed value of business inventories ~~is exempted from property taxation for the 1983/1984~~ on and after the 1978-79 fiscal year.

Under existing law, local agencies receive a subvention from the state for revenues lost by reason of the exemption of such property through a continuous appropriation of money from the General Fund to the Controller to make such subventions. Any increase in such exemption affects the continuing appropriation.

This bill would increase the property tax exemption for business inventories, would affect the subventions to local agencies and would thus affect the continuing appropriation for such purpose. This bill would also limit the amount of such state subventions.

Under existing law, "items of tax preference" are defined as excess investment interest, certain deductions for depreciation, depletion allowances, stock options, capital gains, and reserves for bad debts, as computed for purposes of the Personal Income Tax Law or the Bank and Corporation Tax Law. Under such laws, items of tax preference are not included for purposes of computing the normal taxes, but such items are subject under both laws to a special minimum tax. Personal income is taxed at graduated rates ranging from 0.5% to 5.5% of preference income. Bank and corporation preference income is taxed at 2.5% after a \$30,000 exclusion.

This bill would increase the bank and corporation tax rate on preference income to 4.5% and eliminate the \$30,000 exclusion. The bill would also add as an "item of tax preference" under both the personal and bank and corporation tax laws excessive intangible drilling and development costs of oil and gas wells.

Under existing law, a taxpayer is allowed a deduction for the depletion of mines in computing the regular taxes. The depletion allowance may be based on either the cost of the property or a percentage of the gross income of the property.

The depletion allowance is a variable percent of the gross income of the mines, depending upon the natural resource mined, excluding from such gross income an amount equal to certain rents and royalties.

This bill would limit the depletion allowance for mines to the adjusted cost of the taxpayer's interest in the property.

Existing tax laws permit expenditures for research and experimental expenditures to be totally deducted in the year in which they were paid or incurred.

This bill would require that such expenditures be capitalized and the deduction amortized over a period of years.

Under the California Personal Income Tax Law, specified percentages of the gains from the disposition of capital assets, as defined, are included in gross income, for purposes of computing taxable income. Such percentages are determined according to the length of time such capital asset was owned by the taxpayer prior to such disposition.

This bill would revise the method of computing the percentage of gain or loss from the disposition of capital gains which shall be included in

ASSEMBLY BILLS (Contd.)No. 74 - (Contd.)

income, and would authorize certain taxpayers to elect to exclude gain from the disposition of their residence from income, if the taxpayer owned such residence for 5 years or more at the time of such disposition.

The bill would take effect immediately as an urgency statute.

No. 107 - Amended January 12, 1978

An act to amend Section 2924b of the Civil Code, to amend Sections 16180, 16181, 16182, 16183, 16187, 16190, 16210, 16211, 16212, 16213, and 27282 of, to add Section 16211.5 to, the Government Code, to amend Sections 2505, 2514, 2515, 20501, 20508, 20542, 20561, 20581, 20583, 20584, 20585, and 20602 of, to add Sections 255.4, 2615.6, 20503, 20505, 20586, 20622, 20641.5, 20644.5, 20645.5, and 20645.6 to, to repeal Sections 255.4, 2615.6, 20503, 20505, 20604, and 20622 of, to amend the headings of Chapter 1 (commencing with Section 20501) of Part 10.5 of, and Part 10.5 (commencing with Section 20501) of Division 2 of, to amend and renumber the heading of Chapter 3 (commencing with Section 20641) of Part 10.5 of Division 2 of, and to add Chapter 3 (commencing with Section 20625) to Part 10.5 of, Division 2 of, the Revenue and Taxation Code, to amend Sections 16, 17, and 20 of, and to repeal Section 19 of, Chapter 1242 of the Statutes of 1977, relating to senior citizens property tax assistance, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

Under existing law, qualified persons 62 years of age or older who own or rent their homes may claim state funds to reimburse them for a portion of the property taxes paid on their homes, and payment of the property taxes on homes owned by certain persons 62 years of age or older may be postponed.

This bill would require that, for any fiscal year for which such assistance is claimed, the request for postponement of property taxes shall be made by the individual claiming such assistance, and would include part of a multidwelling or multipurpose building within the application of such assistance and postponement authorization.

This bill would also provide for the postponement of property taxes by a tenant-stockholder, as defined.

No. 130 - Amended January 19, 1978

An act to amend Section 228 of, and to add Part 5.8 (commencing with Section 11125) to Division 2 of, the Revenue and Taxation Code, and to amend Sections 9853, 9855, and 9860 of the Vehicle Code, relating to vessel taxes, and making an appropriation therefor.

Under existing law, undocumented vessels using the waters of this state are required to be registered and currently numbered. ~~Such~~ Noncommercial vessels of more than \$400 market value are generally subject to personal property taxation.

This bill would impose a personal property tax of 2% of market value for the privilege of operating noncommercial vessels more than \$1,000 in value and all other vessels which are subject to registration upon the waters of this state, which would be in lieu of all taxes according to value levied for state or local purposes on vessels of a type subject to registration under the Vehicle Code. The bill would also increase the property tax exemption of vessels to vessels of market value of \$1,000 or less.

ASSEMBLY BILLS (Contd.)No. 130 - (Contd.)

This bill would further specify that it does not apply to commercial and oceanographic research vessels, as defined. The bill would also increase application and certificate fees for specified vessels.

This bill would appropriate the revenues from such provisions for specified state and local purposes and would appropriate an unspecified amount from the General Fund to the State Controller for reimbursement to local agencies for property tax revenues lost because of this act.

No. 736 - Amended January 17, 1978

An act to amend Sections ~~17686 and 24832 of~~, 17687 and 24833 of, and to add Sections 17687.5 and 24833.5 to, ~~and to repeal Sections 17686.5 and 24835.5 of~~ the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

Existing law provides a 23% depletion allowance for sulfur.

This bill would decrease such allowance to 22%.

Existing law limits the amount of depletion allowance with respect to taxpayers whose total accumulated depletion allowance equals the adjusted cost of their interest in the oil or gas wells subject to depletion. The annual limit is \$1,500,000 reduced by 125% of the authorized allowance in excess of \$1,500,000.

This bill would limit the amount of depletion in the same manner as oil and gas wells with respect to ~~all~~ taxpayers whose total accumulated depletion allowance with respect to sulfur equals the adjusted cost of their interest in the property subject to depletion. The annual limit would be \$1,500,000, reduced by 125% of the authorized allowance in excess of \$1,500,000.

Such limit could reduce the amount of income subject to the imposition of the tax on items of tax preference and increase the amount subject to regular personal income taxes or regular bank and corporation taxes.

No. 955 - Amended January 18, 1978

An act to amend Section 205.5 of the Revenue and Taxation Code, relating to taxation.

Under existing property tax law, property which is owned by a disabled veteran, or an unmarried surviving spouse of a disabled veteran, as his or her principal place of residence, is exempt from taxation on that part of assessed valuation of the residence which does not exceed \$10,000.

This bill would increase the allowable exemption to \$15,000.

The bill would also require the Controller to report the amount of claims of local agencies for state reimbursement of property tax revenues lost as a result of this enactment.

No. 1137 - Amended January 16, 1978

An act to ~~add Section 16318 to the Government Code~~, amend Section 14104.3 of the Welfare and Institutions Code, relating to payment of ~~interest on~~ amounts owing by the state.

Existing law provides that bills for service under the Medi-Cal program shall be reviewed and paid or rejected within 30 days of receipt of evidence establishing the validity of the bill for payment. If the bill for service is held for additional review beyond 30 days, notice of the status of the bill shall be given in 60 days from the receipt of the bill.

ASSEMBLY BILLS (Contd.)No. 1137 - (Contd.)

This bill would require the Department of Health to establish a claims payment procedure which would require that 90 percent of the claims made shall be paid within 30 days from the date of receipt and that 99 percent of such claims shall be paid within 60 days from the date of receipt of such claims.

This bill would require a prepayment and postpayment review procedure for such claims.

The bill also would require an annual report to the Legislature by the Legislative Analyst concerning interest paid pursuant to its provisions.

No. 1433 - Amended January 16, 1978

An act to add Section 42244.9 to the Education Code, relating to revenue limits, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

Under existing law, revenue limits are computed for school districts and are utilized in determining the maximum tax rate of the districts. School districts are also required to reimburse county superintendents of schools for the cost of educating certain residents of the district enrolled in special education programs operated by the county superintendent.

This bill would authorize the increase of the revenue limit of school districts by an amount sufficient to raise proceeds to make the required payments less the amount so paid in the 1972-73 fiscal year increased by the annual percent change in school districts' foundation program since the 1972-73 fiscal year, and would specify conditions under which such an increase may occur.

Existing law grants the homeowners' property tax exemption in the amount of \$7,000 of the full value of qualified dwellings and continuously appropriates state funds for subventions to local government to compensate for property tax revenues lost by reason of such exemption.

This bill would increase the amount of such appropriation by authorizing an increased rate of property tax.

This bill would take effect immediately as an ~~emergency~~ urgency statute.

No. 1531 - Amended January 12, 1978

An act to amend Sections 54775.2, 54797.2, 54900, 54901, 54902.5, 56006, 56009, 56039, 56438, 56453, 56454, 56456, and 56457 of, to add Section 45902.2 to, and to repeal Sections 34080, 34081, and 56452 of, the Government Code, relating to local agencies.

(1) Existing law contains various provisions which have been superseded by more recent enactments relating to the documents required to be filed regarding incorporations and changes of boundaries cities.

This bill would repeal such existing provisions.

(2) Under existing law a local agency formation commission's determinations on proposals for organization or reorganization of cities or districts are final in the absence of fraud or prejudicial abuse of discretion, as defined, and sole review of such determinations is on the basis of fraud or prejudicial abuse of discretion.

This bill would delete the provisions relating to review of the local agency formation commission's determinations.

ASSEMBLY BILLS (Contd.)No. 1531 - (Contd.)

(3) Under existing law there are occasions when a new district may be formed without election or by a resolution confirming an order for the formation of a new district after confirmation by the voters.

This bill would require the executive officer of the local agency formation commission to file a certificate of completion, as specified, with the county recorder after determining that such district formation is in compliance with its resolution making such determinations.

(4) Under existing law, when there is a change of boundaries affecting the tax assessment boundaries of a city or district, as specified, the city or district is required to prepare a statement of such change and forward it to the appropriate tax or assessment levying authority.

This bill would modify the contents of such statement and would provide that filings by the executive officer of the local agency formation commission, as specified, would satisfy the above requirement.

(5) Under existing law the organization or reorganization of a district is complete from the date of filing of the certificate of completion with the Secretary of State. Furthermore, special assessment districts and improvement districts are excluded from the District Reorganization Act of 1965 pursuant to existing law.

This bill would designate the completion date of such organization or reorganization as the time of the execution of the certificate of completion and would allow a board of supervisors by resolution to designate which special assessment or improvement districts within their jurisdiction shall be subject to the provisions of the District Reorganization Act of 1965.

No. 1625 - Amended January 16, 1978

An act to amend Sections 51201, 51231, 51232, 51233, 51238, 51238.5, 51244.5, ~~51251, and 51285 of, and~~ and 51251 of, to add Sections 51205.1 ~~and 51281.1 to,~~ 51281.1, and 51283 to, and to repeal Section 51283 of, the Government Code, and to amend Section 423 of the Revenue and Taxation Code, relating to agricultural lands, and making an appropriation therefor.

(1) Existing law includes within the definition of "agricultural preserve" compatible uses as designated by a city or county.

This bill would delete that portion of the definition and would permit land within a scenic highway corridor to be included within a preserve under certain conditions.

(2) Where the boundaries of a preserve are changed, existing law requires notice to adjacent owners.

This bill would require such notice to owners of land under contract within 1 mile of the exterior boundary of the land to be removed from the preserve and would also require such notice to be published.

(3) Existing law requires specified notice be given ~~where~~ when a preserve is established.

This bill would require notice as well when a preserve is disestablished, altered or changed.

(4) Existing law permits a county board of supervisors to indemnify a landowner who permits his property to be used for free public recreation.

This bill would so authorize a city council.

ASSEMBLY BILLS (Contd.)No. 1625 - (Contd.)

(5) Existing law provides that where the initial term of a contract is for 20 years or more, a provision may be included which would automatically extend the term of the contract under certain conditions.

This bill would reduce the initial term necessary for such a contract to 10 years.

(6) Existing law specifies conditions under which suit may be brought to enforce a contract.

This bill would authorize other actions to be brought.

(7) Currently, the board of supervisors of a county or the city council of a city may cancel any contract entered into between a landowner and the city or county, as the case may be, to preserve agricultural land. A fee is charged to make such a cancellation, representing deferred taxes upon cancellation.

This bill would change the manner of determining the amount of such cancellation fee.

(8) Existing law provides formulas to be used when assessing land which is enforceably restricted by contract. ~~This~~

This bill would change a portion of such formula.

(9) This bill would appropriate an unspecified sum of money from the State General Fund to the Controller for allocation to local agencies pursuant to Section 2231 of the Revenue and Taxation Code.

No. 1998 - Amended January 19, 1978

An act to amend Section 251 of, and to add ~~Section 235 to~~ and repeal Section 235 of, the Revenue and Taxation Code, relating to taxation.

Existing law does not exempt air, or water, ~~or noise~~ pollution control facilities from property taxation.

This bill would exempt such facilities, as defined, which are constructed or installed on or after January 1, 1979, and before March 1, 1983, from taxation, and would specify that the State Board of Equalization shall prescribe all procedures and forms to carry such exemption into effect.

Existing law provides that local agencies may make claims to the Controller for property tax revenues lost by reason of exemptions enacted by the Legislature.

This bill would ~~provide that there would be no reimbursement to local agencies for tax revenue losses due to the exemption of property by this act nor shall an appropriation be made for such purposes, for a specified reason.~~ direct the Controller to report to the Legislature on the amount of such claims in order that the Legislature may appropriate funds for the losses of such property tax revenues.

This bill would take effect only if Assembly Constitutional Amendment No. 36 of the 1977-78 Regular Session of the Legislature is approved by the voters.

No. 2051 - Amended January 17, 1978

An act to amend Section 1152 of the Revenue and Taxation Code, relating to taxation, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

Existing law provides for the assessment of certificated aircraft, as defined, for purposes of property taxation, according to the extent such aircraft are deemed to be situated in this state, as determined pursuant to a specified allocation formula.

ASSEMBLY BILLS (Contd.)No. 2051 - (Contd.)

This bill would revise such allocation formula.

The bill would also require the Controller to report the amount of claims of local agencies for state reimbursement of property tax revenues lost as a result of this enactment and would appropriate an unspecified amount to the Controller for allocation and disbursement to local agencies for costs incurred by them pursuant to this act.

This bill would take effect immediately as an urgency statute.

No. 2204 - January 12, 1978

An act relating to the validation of certain acts with regard to property taxation of taxing agencies and revenue districts and of their officers.

Annually in the past, the Legislature has enacted legislation validating various technical or procedural errors or omissions in the functions of taxing agencies and revenue districts.

This bill would similarly validate such actions.

No. 2208 - January 12, 1978

An act to amend Section 4986 of the Revenue and Taxation Code, relating to taxation, and making an appropriation therefor.

Under existing law, property taxes on property acquired by tax-exempt governmental entities by negotiated purchase and sale, gift, devise or eminent domaine proceeding after the lien date but before commencement of the fiscal year are cancelled, and if such property is so acquired after the commencement of the fiscal year, the taxes are apportioned and that portion attributable to the transferor is transferred to the unsecured roll and shall be collectible from the person from whom such property was acquired.

This bill would require taxes on property acquired by a federal agency pursuant to foreclosure to a security interest after the commencement of the fiscal year to be allocated, transferred to the unsecured roll and collected from the person from whom such property was acquired.

This bill would apply to taxes for the 1970-71 fiscal year and fiscal years thereafter.

This bill would appropriate an unspecified amount to the Controller for allocation and disbursement to local agencies for costs incurred by them pursuant to this act.

No. 2226 - January 16, 1978

An act to amend Section 218 of the Revenue and Taxation Code, relating to taxation, and making an appropriation therefor.

Existing law exempts from property taxation \$7,000 of the full value of a dwelling occupied by an owner thereof as his principal residence.

This bill would increase such exemption to \$10,500 of the full value of such dwelling occupied by an owner who, on or before the lien date, was 62 years of age.

Existing law continuously appropriates funds from the General Fund to the Controller for subventions to local agencies for property tax revenue losses resulting from the homeowners' property tax exemption.

This bill would increase such exemption, thereby affecting the continuous appropriation.

ASSEMBLY CONSTITUTIONAL AMENDMENTSNo. 1 - January 9, 1978 (First Extraordinary Session)

A resolution to propose to the people of the State of California an amendment to the Constitution of the state, by repealing subdivision (k) of Section 3 of, by repealing Section 25 of, Article XIII thereof, and by adding Article XIII A thereto, relating to taxation.

Existing provisions of the California Constitution exempt \$7,000 of the full value of a dwelling occupied by an owner as his principal residence from taxation, authorize the Legislature to increase the amount of such exemption and require the Legislature to reimburse local governments for revenues lost because of such tax exemption.

This measure would repeal such provisions.

Existing provisions of the California Constitution provide that all property is taxable, with certain specified exemptions, which shall be assessed at the same percentage of fair market value and taxed in proportion to its full value. There is no limit on the amount of revenues which may be derived from the taxation of any property.

This measure would impose a limit on the amount of taxes which may be derived from the taxation of residential real property, as defined, and would authorize such limits to be exceeded in certain circumstances. This measure would also specify that the Legislature may authorize local agencies to impose any tax not otherwise prohibited.

No. 14 - Amended January 17, 1978

A resolution to propose to the people of the State of California an amendment to the Constitution of the state, by adding Section 16 to, and to repeal Section 16 of, Article XIII thereof, relating to taxation.

The California Constitution provides for the establishment of county boards of equalization, mandates such boards to equalize the values of all property on the local assessment roll, with certain exceptions, and authorizes county boards of supervisors to fix the compensation for members of the county boards of equalization and to provide for rules and procedures for such boards. The Legislature is mandated to provide for the membership of such boards and to provide a procedure by which two or more county boards of supervisors may jointly create one or more assessment appeals boards.

This measure would repeal such provisions and would mandate the Legislature to provide a system for determining protests by taxpayers of their property tax assessments and for equalizing assessments ~~within a county~~.

SENATE BILLSNo. 1 - Amended January 17, 1978

An act to amend Sections 16120, 16121, 16122, 29100.6 and 29100.7 of, to add Section 16123 to, the Government Code, to amend Sections 109, 218, 253.5, 17041, 17062, 17062.1, 17204, and 20561 of, to add Sections 109.7, 2268, 2269, 2610.8, 6379, 10771, 17042.5, 18417, 19353, and 20544 to, and to add Part 16 (commencing with Section 36001) to Division 2 of, and to repeal Section 219, 17053.5, and 20544 of, the Revenue and Taxation Code, relating to taxation, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

SENATE BILLS (Contd.)No. 1 - (Contd.)

(1) Existing law authorizes homeowners to claim the homeowners' property tax exemption, which would continue in effect until such time as the eligibility is lost.

This bill would exempt a homeowner's dwelling, as defined, and would require that such homeowner submit to the assessor an affidavit giving specified information.

(2) Under existing law, the homeowners' property tax exemption is in the amount of \$1,750 of the assessed value of qualified dwellings, and the exemption is applied first to the structure and the excess, if any, is applied to the land on which the structure is located. State funds are continuously appropriated from the State General Fund to compensate local governments in full for revenues lost by reason of such exemption.

This bill would, instead, exempt a specified percentage of the assessed value of the dwelling, not to exceed ~~\$25,000~~ specified amounts of the assessed value of any dwelling for the 1978-79 fiscal year and fiscal years thereafter. Claims for reimbursements for property tax losses caused by such exemption would be limited to the amount of revenue losses for the 1978-79 fiscal year, adjusted by inflation and population change factors.

The bill would also provide that state reimbursements to local governmental entities for revenues lost by reason of the homeowners' property tax exemption would be paid from the Householders Reserve Fund, which the bill would create, instead of the state general fund, and would require the Controller to annually transfer to the new fund the amount presently paid in such reimbursements, as changed by the inflation adjustment factor. A specified portion of the money in such fund would be transferred to the Home Buyers Fund, created herein, and appropriated to the Controller to make loans to qualified home buyers.

(3) Under existing law, counties are required to mail a county tax bill or a copy thereof to each assessee or fee owner of property on the secured roll, except when the computation of taxes results in a zero amount.

This bill would require counties to mail a tax bill and copy thereof of 2 copies of such bill to the assessee or fee owner of property granted the homeowners' property tax exemption, as well as a notice that a copy of such bill must be filed with the assessee's or owner's state personal income tax return.

~~(5)~~ (4) Under existing law, with minor exceptions, the maximum basic property tax which a local agency may levy is the rate which the agency levied in either the 1971-72 fiscal year, at the option of the governing body; or an alternative method of determining the local agency's maximum rate may be used which takes into consideration increases in the cost of living and the local agency's population in excess of the increase in the local agency's assessed value.

This bill would provide that the maximum property tax rate which may be levied on residential property, as defined, by a ~~local agency~~ city or county, with certain exceptions, is the rate which produces the amount of property tax revenue which would be received by the agency in the 1977-78 fiscal year adjusted by a percentage equal to the percentage change in population of the ~~agency~~ city or county and the percentage change in the cost of living.

~~(6)~~ (5) Existing law requires that all taxable property be assessed at the same percentage of fair market value.

SENATE BILLS (Contd.)No. 1 - (Contd.)

This bill would provide that the assessed value of all residential property, as defined, shall not exceed the value at which such property would be assessed at for the 1977-78 fiscal year, adjusted by a percentage equal to the percentage change in population of the agency and the percentage change in the cost of living.

~~(7)~~ (6) Under the existing Personal Income Tax Law, the state imposes a graduated income tax on individuals according to 2 schedules, 1 for heads of households and 1 for other persons.

This bill would impose a 20% surtax on heads of households and other persons who were granted or qualified for the homeowners' property tax exemption during the taxable years, commencing with taxable years beginning after December 31, 1976. Revenues derived from the surtax, and certain general income tax revenues, with specified exemptions, would be transferred to the Householders Reserve Fund.

~~(8)~~ (7) Existing law requires persons with incomes above specified amounts to file personal income tax returns.

This bill would require the Franchise Tax Board to cause to be printed in a prominent place on appropriate returns a notice that a copy of the county tax bill must be included, but the failure to make such enclosure would not invalidate the return or cause the imposition of any penalty. Based on the information in the returns and on the county tax bills, the Franchise Tax Board would be required to report to the Legislature, as soon as is feasible, on any recommended changes in the surtax imposed on persons granted the homeowners' property tax exemption during the taxable year.

~~(9)~~ (8) Existing California Sales and Use Tax Law imposes a state sales or use tax on the sale or use of tangible personal property in the state, unless such sale or use is exempted from such tax. There is no provision exempting from such tax the sale of, or use of, trailer coaches which are used as the principal place of residence by the purchaser of such trailer coach.

Moreover, counties, cities, and the San Francisco Bay Area Rapid Transit District are authorized to impose local sales and use taxes in conformity with the state's taxes. Exemptions from state sales and use taxes enacted by the Legislature are automatically incorporated into the local taxes.

Section 2230 of the Revenue and Taxation Code provides that the state will reimburse counties and cities, but not the San Francisco Bay Area Rapid Transit District, for revenue losses caused by the enactment of sales and use tax exemptions.

This bill would exempt from state and local sales and use taxes the gross receipts from, or the storage, use, or other consumption in this state of trailer coaches which are used as the principal place of residence by the purchaser of such trailer coach and which qualify for the homeowners' property tax exemption and would make the purchaser liable for the payment of tax measured by the sales price, if, after certifying in writing to a retailer that such trailer coach would be used in an exempt manner, the purchaser uses such trailer coach for a nonexempt purpose.

This bill also makes an appropriation in an unspecified amount to the Controller from the State General Fund to make the reimbursements to counties and cities specified in Section 2230 of the Revenue and Taxation Code.

SENATE BILLS (Contd.)No. 1 - (Contd.)

~~(10)~~ (9) Under the existing Personal Income Tax Law, a credit against income tax liability is granted to qualified renters in the amount of \$37. In the event that the amount of such credit exceeds a qualified renter's income tax liability, the excess is paid to him.

This bill proposes to repeal such personal income tax credit and to authorize renters to claim property tax assistance, based on income, according to the amount of property taxes which exceed a specified threshold amount.

~~(11)~~ (10) Existing Personal Income Tax Law authorizes the deduction of certain taxes paid or accrued during the taxable year in computing taxable income.

This bill would specify that the tax imposed on property granted the homeowners' property tax exemption and imposed at the time of sale or conversion of use of such property may be deducted in computing taxable income.

~~(12)~~ (11) Existing state law does not impose a tax on transfers of real property but authorizes counties and cities to impose such taxes.

This bill would impose a tax, commencing January 1, 1977, on property granted the homeowners' property tax exemption for the 1977-78 fiscal year or any subsequent fiscal year. Such tax would be imposed at the time of sale or conversion of use of such property. The tax would be administered by the State Board of Equalization and would be collected by county recorders.

~~(13)~~ (12) Existing law continuously appropriates money from the State General Fund to compensate local governments for property tax revenues lost by reason of the homeowners' property tax exemption.

This bill, by altering the amount of such exemption and method of computing reimbursements therefor, would also have the effect of changing the existing appropriation.

~~(14)~~ (13) This bill will become operative only if Senate Constitutional Amendment No. 1 of the 1977-78 Regular Session is approved by the voters and certain federal law is enacted; in which case, the bill would become operative as specified therein.

This bill would provide that the state will not reimburse any local agency for costs incurred by it under the bill.

Finally, this bill would take effect immediately as an urgency statute, but its operative effect would be contingent.

No. 9 - January 17, 1978 (First Extraordinary Session)

An act to amend Sections 218, 2264, 2265, 2325, 20543, 20544, and 20561 of, to add Sections 2261 and 2263 to, to add Division 3 (commencing with Section 50000) to, and to repeal Sections 2261, 2262, 2263, 2263.1, 2263.2, 2266, 2267, and 17053.5 of, the Revenue and Taxation Code, relating to taxation, and making an appropriation therefor.

Existing law exempts from property taxation \$7,000 of the full value of a dwelling occupied by an owner thereof as his principal residence.

This bill would increase such exemption to \$10,000 of the full value of such dwelling, for the 1979-1980 fiscal year and fiscal years thereafter.

Existing law continuously appropriates money from the State General Fund to compensate local governmental entities for property tax revenues lost by reason of the homeowners' property tax exemption.

SENATE BILLS (Contd.)No. 9 - (Contd.)

This bill, by increasing the amount of such exemption, would also have the effect of increasing the amount of such appropriation.

Existing law limits the maximum property tax rate which may be levied by local agencies.

This bill would revise the method of computing maximum property tax rates which may be levied by local agencies.

Under the existing Personal Income Tax Law, a \$37 credit against income tax liability is granted to qualified renters. If the credit exceeds the renter's income tax liability, the excess is paid to the renter.

This bill would eliminate the renter's credit.

Existing law provides a system whereby homeowners and renters 62 years of age or older are paid state funds according to a schedule based on their household incomes and the amount of property taxes paid, or deemed to be paid, on their homes.

This bill would provide such property tax assistance to any qualified renter, regardless of age.

Existing law does not limit the amount of revenues collected by the State of California.

This bill would establish a state revenue limit which is increased annually by the percentage change in the price deflator, as defined, reflecting the increased cost of governmental services.

No. 10 - January 17, 1978 (First Extraordinary Session)

An act to amend Sections 16113 and 27421 of the Government Code, to amend Sections 109, 218, 255, 255.3, 275, 401.3, 619, 2192, 2264, 2265, 2305, 2306, 2307, 2308, 2309, 2325, 2325.1, 2604, 2610.5, 11401, 11403, 17053.5, 20505, 20514, 20542, 20544, 20561, 20563, and 38202 of, to add Sections 37, 253.6, 255.05, 255.4, 401.6, 602.1, 1603.5, 2187.5, 2261, 2263, 2606.5, 2615.6, 2618.5, 20505.1, 20505.2, and 20543 to, to add Article 3.5 (commencing with Section 520) to Chapter 3 of Part 2 of Division 1 of, and to add Division 3 (commencing with Section 50000) to, and to repeal Sections 2261, 2262, 2263, 2263.1, 2263.2, 2266, 2267, and 20543 of, the Revenue and Taxation Code, and to amend Sections 12400 and 14150 of the Welfare and Institutions Code, relating to taxation.

Under existing law, all taxable property on the secured roll is subject to taxation at the same rate, while property on the unsecured roll is subject to taxation at the rate applied to the secured roll for the prior fiscal year, and the first \$7,000 of the full value of an owner-occupied dwelling is exempted from taxation.

This bill would provide for the taxation of owner-occupied dwellings at a different rate than other taxable property, and would increase the homeowner's exemption to the first \$12,600 of the full value of an owner-occupied dwelling for the 1978-1979 fiscal year and fiscal years thereafter.

Under existing law, local agencies receive a subvention from the state for revenues lost by reason of the exemption of such property through a continuous appropriation of money from the General Fund to the Controller to make such subventions. Any increase in such exemption affects the continuing appropriation.

SENATE BILLS (Contd.)No. 10 - (Contd.)

This bill specifies that it contains no appropriation of funds.

Under existing law, all property is assessed, for property tax purposes, on March 1 immediately preceding the fiscal year for which such taxes are levied.

This bill would provide for the reassessment of improvements to property occurring after March 1 of each year and for the taxation of such improvements.

Existing law limits the maximum property tax rate which may be levied by local agencies.

This bill would revise the method of computing maximum property tax rates so that local agencies shall receive a specified amount of tax revenues.

Existing law authorizes a \$37 credit against taxes due under the Personal Income Tax Law for qualified renters. If the amount of the credit exceeds income tax liability, the excess is paid to the claimant.

This bill would change the amount of the credit or payment to \$87.

Under existing law, payments of state funds are made to homeowners and renters 62 years of age or older on the basis of a percentage (determined by total household income) of property taxes paid by homeowners or the statutory property tax equivalent presumed to be paid by renters.

This bill would extend such benefits to totally disabled persons, and would revise the schedule of such benefits.

Existing law does not limit the amount of revenues collected by the State of California.

This bill would set a state revenue limit which is increased annually by the percentage increase in California personal income, as estimated in the Governor's budget.

Under existing law, counties are required to pay a specified share of the costs of the Supplementary Program for the aged, blind and disabled and specified Medi-Cal programs.

This bill would alter counties' shares of such programs according to a formula.

No. 193 - Amended January 17, 1978

An act to amend Sections 16142, 51201, 51238, 51243, 51243.5, and 65302 of, to add Section 51245.5 to, to add Chapter 6 (commencing with Section 16180) to Part 1 of Division 4 of Title 2, of, and to add Title 7.9 (commencing with Section 67800) to, and to repeal Section 16153 of, the Government Code, and to amend Section 402.1 of, and to add Section 402.3 to, the Revenue and Taxation Code, relating to agriculture, and making an appropriation therefor.

Existing law does not require a county or city general plan to include an agricultural element.

This bill would require every city and every county, except San Francisco to prepare and adopt by May 1, 1980, an agricultural element for its general plan for the comprehensive and long-range preservation and conservation of commercial agricultural land. It would specify the components of the plan, and would provide an exemption for cities having only small amounts of agricultural land.

This bill would require each county to establish, on or before January 15, 1979, an agricultural preservation advisory committee to assist in the preparation of the plan.

SENATE BILLS (Contd.)No. 193 - (Contd.)

This bill would require the planning commission to submit the plan for comment and review by the Office of Planning and Research.

The bill would establish an Agricultural Land Appeals Council at the state level to consider appeals by the Office of Planning and Research concerning only issues of statewide interest within the agricultural plan.

This bill would declare it the intent of the Legislature that any development commenced or rights vested prior to the designation of any area as commercial agricultural land shall not be limited or modified.

Existing law contains various provisions under which agricultural land may be enforceably restricted to agricultural, open-space and compatible uses and be taxed according to its value as restricted.

The bill would require that, if information concerning the sale of comparable restricted land is not available, commercial agricultural land which is so restricted be assessed for property taxation by the capitalization of income method based on restrictions imposed on the use of the land.

This bill would appropriate \$1,047,000 each year to the Controller for allocation and disbursement to local agencies for costs incurred by them pursuant to this bill.

The bill would also provide for a ~~procedure to reimburse~~ the reimbursement of local agencies and school districts for property tax revenues lost by them pursuant to this bill through payments out of the Agricultural Land Subvention Fund, which the bill would create and to which the Controller would be required to transfer \$80,000,000 in both the 1978-79 and 1979-80 fiscal years to such fund from the General Fund.

Amounts paid in reimbursement of such losses would be reduced by the amounts, if any, paid in reimbursement for revenue losses incurred pursuant to contracts entered into pursuant to the Williamson Act.

No. 1348 - January 9, 1978

An act to amend Section 20544 of the Revenue and Taxation Code, relating to taxation.

The existing Senior Citizens Property Tax Assistance Law, provides a system whereby renters 62 years of age or older are paid state funds according to a schedule based on their household incomes and the amount of property taxes deemed to be paid, on their homes. With respect to such renters, the schedule arranges from 96% for those with household incomes of not more than \$1,400 to 4% for those with household incomes of not more than \$5,000 based on a statutory property tax equivalent of \$220 in all cases.

This bill would provide that the schedule for such renters shall range from 96% for those with household incomes of not more than \$3,000 to 4% for those with household incomes of not more than \$12,000 based on a statutory property tax equivalent of \$250 in all cases.

The bill would also require the Franchise Tax Board to recompute such household income based on an inflation adjustment factor.

This bill would apply to claims for assistance filed for the 1978-79 fiscal year and fiscal years thereafter.

January 27, 1978

SENATE CONSTITUTIONAL AMENDMENTSNo. 1 - January 10, 1978 (First Extraordinary Session)

A resolution to propose to the people of the State of California an amendment to the Constitution of the state, by amending subdivision (k) of Section 3 of, and by repealing Sections 21, 22, and 25 of Article XIII, and by adding Article XIII A thereto, relating to taxation.

Under the existing State Constitution, with minor exceptions, all property subject to property taxation must be assessed at a uniform percentage of its fair market value and taxed at a uniform rate of tax. The Constitution does provide for the homeowner's exemption, an exemption of a minimum of \$7,000 of the value of owner-occupied dwellings.

This measure, if approved by the voters, would increase the homeowner's property tax exemption to \$20,000 to be adjusted annually, and would provide for an additional property tax exemption of 20% of the value of any dwelling. This measure would also place a limitation upon the amount of property taxes which may be levied for all purposes other than for the payment of debts or liabilities.

This measure would repeal provisions requiring the state reimbursement of local government for revenues lost because of the homeowner's property tax exemption.

This measure would also prohibit the use of property tax revenues for social welfare costs or for costs of education, except as specified.

Existing provisions of the State Constitution require a majority vote of the 2 houses of the Legislature for passage of state tax legislation.

This measure would require a 2/3 vote of the 2 houses of the Legislature for passage of any bill that increases state tax revenues.

No. 4 - Amended January 3, 1978

A resolution to propose to the people of the State of California an amendment to the Constitution of the state, by amending subdivision (k) of Section 3 of Article XIII thereof, relating to the homeowners' property tax exemption.

Existing provisions of the Constitution exempt \$7,000 of the full value of a dwelling occupied by an owner as his principal residence, and authorize the Legislature to increase such exemption.

This measure would increase such exemption to ~~\$25,000~~ \$10,000.

Sincerely,

Jack F. Eisenlauer

Jack F. Eisenlauer, Chief
Assessment Standards Division

JFE:sk
Enclosure